

## Message Text

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53

ACTION NEA-10

INFO OCT-01 EA-06 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01

CIAE-00 CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-02

INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-03

USIA-06 SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00

FRB-03 PA-01 PRS-01 /100 W  
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R 280910Z JUL 75

FM AMEMBASSY ABU DHABI

TO SECSTATE WASHDC 3184

INFO AMEMBASSY TOKYO

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY DOHA

C O N F I D E N T I A L ABU DHABI 1562

E.O. 11652: GDS

TAGS: ENRG, TC, JA

SUBJ: JAPANESE DIFFICULTIES WITH OIL AND GAS CONTRACTS IN UAE

1. IN RECENT CONVERSATION WITH US, JAPANESE CHARGE' INDICATED THAT UAE-JAPANESE RELATIONS ARE RATHER SOUR THESE DAYS BECAUSE OF CONTINUING DIFFERENCES OVER OIL AND GAS PROJECTS. BIGGEST PROBLEM CONSISTS OF RENEGOTIATION WITH ABU DHABI NATIONA SOIL OGMPANY (ADNOC) OF DAS ISLAND LNG PROJECT, IN WHICH JAPANESEYACZ AN INTEREST BOTH IN PRODUCING CONSORTIUM AND AS SOLE CONSUMER (TOKYO ELECTRIC) OF PLANT'S PRODUCTION. RENEGOTIATION CONSISTS MAINLY OF TWO RELATED PROBLEMS: (1) ADNOC'S DESIRE TO MOVE FROM 20 PERCENT TO 51 PERCENT EQUITY POSITION; (2) NEED FOR CONSORTIUM TO COME UP WITH \$150 MILLION MORE CAPITAL BECAUSE OF COST ESCALATION AND DESIGN CHANGES SINCE ORIGINAL CONTRACT SIGNED. BECAUSE OF PROBLEMS OF RAISING CASH, INDUSTRY UMBERS OF CONSORTIUM HAVE REQUESTED ADNOC TO EXTEND LOAN FOR THEIR SHARE OF REQUIRED CAPITAL, WHICH ADNOC HAS AGREED TO DO BUT ONLY AT 11-12 PERCENT INTEREST, CONSIDERED BY  
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CONSORTIUM MEMBERS UNREASONABLY HIGH. AT SAME TIME TOKYO ELECTRIC IS

APPARENTLY TRYING TO RENEGOTIATE FOR BETTER TERMS ON PRICE OF GAS IT WOULD TAKE FROM DAS PLANT. ACCORDING TO CHARGE', INDUSTRY MEMBERS OF CONSORTIUM AND TOKYO ELECTRIC ARE FINDING ADNOC MANAGING DIRECTOR HAMRA KROUHA VERY DIFFICULT TO DEAL WITH AND HAVE INDUCED JAPANESE AMBASSADOR TO COMPLAIN ABOUT HIM TO HAMRA KROUHA'S BOSS, SHAIKH TAHNOON, CHAIRMAN OF ADNOC.

2. ADDITIONAL PROBLEM IS CONTINUING IMPASSE BETWEEN ADNOC AND JAPAN LINES OVER LATTER'S APPLICATION TO BE RELIEVED OF ITS OBLIGATIONS UNDER OIL PURCHASE CONTRACT IT SIGNED WITH ADNOC IN LATE 1973 AT 98 PERCENT OF THEN POSTED PRICE. JAPANESE SAY TSY ARE PREPARED TO PAY REASONABLE PENALTY FOR CONTRACT CANCELLATION, BUT THAT \$3 MILLION BEING INSISTED UPON BY ADNOC IS TOTALLY UNREASONABLE. BOTH SIDES HAVE NOW AGREED TO SUBMIT MATTER TO ARBITRATION AS CALLED FOR IN CONTRACT, BUT WAY IN WHICH CASE HAS DEVELOPED SEEMS TO HAVE LEFT BAD FEELING ON BOTH SIDES.

3. PICTURE IS NOT ALL BLACK FOR JAPANESE IN UAE, HOWEVER. PRESS FEW DAYS AGO PUBLISHED FIGURES SHOWING THAT JAPAN HAD REPLACED UK AS NUMBER ONE EXPORTER OF GOODS TO UAE IN 1974. STERNER

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